



**McCORMICK**

# Sharing Our Passion for Flavor

**2013 CORPORATE SOCIAL RESPONSIBILITY REVIEW**



McCORMICK



# Sharing Our *Passion for Flavor!*

## **At McCormick, we have a rich heritage dating back to 1889 of bringing passion to flavor.**

We inspire memorable food experiences for people all around the world, from Baltimore to Beijing, and provide the taste behind family food traditions passed down from generation to generation. We are pleased to share our review of our corporate social responsibility (CSR) efforts. As a global flavor company, we are sensitive to the issues facing the world at large, our nation and the local communities where we live and work. Since our earliest days as a company, McCormick has held a strong commitment to the communities we are a part of, and the planet as a whole.

Our tradition of responsibility began with our founder, Willoughby McCormick, who helped start several civic, charitable and trade associations including the United Way of Central Maryland. His successor

and nephew, Charles P. McCormick, built on that legacy by serving in numerous local, national and international organizations. He also introduced McCormick's Charity Day program, an initiative dedicated to helping others, which you can learn more about in the pages that follow or at <http://www.mccormickcorporation.com/community-involvement.aspx>.

Today we are building on our legacy by expanding our CSR strategy and priorities beyond philanthropy to demonstrating our impact on our current areas of focus. We are now increasingly focused on the alignment of our CSR efforts with our business objectives and strategy, recognizing that these efforts are integrally tied to our business success. From our philanthropic work to the way we run

“Building on a cultural foundation of concern for one another, McCormick is **committed to making a positive difference** in the global communities where we live and work.”

—Alan Wilson, Chairman, President and CEO

our business, we are committed to protecting the environment and supporting communities where we live and work across the globe.

Our CSR vision is “To grow our business globally, while driving positive change to the environment, within our communities, and for our employees.”

This review is a snapshot of our work to date, and we look forward to sharing more information on our impact in the years to come, on a biennial basis. By respecting relationships with our suppliers and producers, employees and our communities, and being good stewards of our natural resources, McCormick is better able to bring flavorful experiences to the world.

We look forward to receiving feedback from our stakeholders on our efforts. Please feel free to reach out to us at [responsibility@mccormick.com](mailto:responsibility@mccormick.com).



**Alan D. Wilson**  
Chairman, President, Chief Executive Officer (CEO)

**CSR Vision**

*“To grow our business globally, while driving positive change to the environment, within our communities, and for our employees.”*

# Our Goals for 2018

Our corporate social responsibility work demonstrates the passion for flavor that you will see in the pages that follow, organized into our four priority areas.

## Passion for Flavor

### Power of People

**Empowering People and Improving Communities**

**Goals:**

- Promote an inclusive environment globally.
- Exceed best-in-class employee engagement levels.
- Identify baseline global employee volunteer hours by 2014. Global employee volunteer hours will equal or exceed 100,000 hours per year.

### Taste You Trust

**Investing in Quality, Sustainable Agriculture**

**Goals:**

- Create a more sustainable product supply chain from farm to finished product.
- 50% funding increase for farming community programs to include completing and sustaining farming projects assisting local farmers in improving their quality of life and livelihoods.

### Inspiring Healthy Choices

**Providing Healthy Flavor Solutions**

**Goals:**

- Launch the McCormick employee Eating Well program globally.
- 20% increase in global marketing investment aimed at educating consumers and industry leaders on the role of flavor in healthier eating.

### Delivering High Performance

**Improving Operational Impact and Efficiencies**

**Goals:\***

- 25% reduction in bottle packaging weight using sustainable methods.
- Reduce electricity use by 20%.
- Reduce water use by 20%.
- Reduce solid waste by 50%.
- Reduce greenhouse gases by 10%.

\* adjusted for product mix effects and production volume.

# Passion for Flavor

## **From our first products to the innovative spices, seasonings and other flavorful products we now offer globally,**

McCormick strives to bring our customers and consumers the best ingredients and expertise available. We bring this same commitment and passion to our corporate social responsibility endeavors. We are excited to share this with our stakeholders, in an effort to be more transparent about the progress and impacts we've made towards meeting our ultimate vision: to grow our business globally, while driving positive change to the environment, within our communities, and for our employees. We see this as the start of a conversation about our corporate social responsibility journey thus far, and we intend to continue reporting on a biennial basis. We look forward to engaging in an ongoing dialogue about this review, and we are excited about the conversations our CSR review will spark.

### **OUR PERFORMANCE**

McCormick is a global leader in flavor. With more than \$4 billion in annual sales in 2012, we manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry—retail outlets, food manufacturers and foodservice businesses. For those interested in learning more about our financial performance, please visit [ir.mccormick.com](http://ir.mccormick.com).

Founded in 1889 and headquartered in Maryland, McCormick currently has approximately 10,000 employees worldwide. We supply our customers from nearly 50 locations in 24 countries around the world with innovative, high-quality flavorings to meet the demands for food preparation around the globe. We have two segments: Consumer and Industrial.

**Consumer Business.** Our consumer business creates and sells spices, seasonings and other flavorful products under a number of leading brands. From locations around the world, our brands reach consumers in more than 110 countries. Our leading brands in the Americas include McCormick®, Lawry's® and Club House®. We also market authentic ethnic brands such as Zatarain's®, Thai Kitchen® and Simply Asia®. In Europe, the Middle East and Africa (EMEA) our major brands include the Ducros®, Schwartz® and Kamis® brands of spices, herbs and seasonings, along with an extensive line of Vahiné® brand dessert items. Our primary brand in the Asia/Pacific region is McCormick, with the exception of India, where our recent joint venture owns and trades under the Kohinoor® brand.

**Industrial Business.** In our industrial business, we provide a wide range of products to multinational food manufacturers and foodservice customers. The foodservice customers are supplied both directly and indirectly through distributors. Among food manufacturers and foodservice customers, many of our relationships have been active for decades. We focus our resources on our strategic partners that offer the greatest prospects for growth. Our range of products remains one of the broadest in the industry and includes seasoning blends, natural spices and herbs, wet flavors, coating systems and compound flavors. In addition to a broad range of flavor solutions, we strive to achieve customer

## OUR PERFORMANCE

(\$ millions except as noted)

	2010	2011	2012
Number of Employees Worldwide	7,500	9,500	9,500
Number of Countries in Which Our Products are Manufactured	20	24	24
Number of Locations (Wholly Owned/Joint Venture)	42	49	49
Total Recordable Incident Rate (TRIR*)	2.7	2.3	1.9
Net Sales	\$3,337	\$3,698	\$4,014
Operating Income	510	540	578
Net Income	370	374	408
Earnings Per Share (EPS)—Diluted	2.75	2.79	3.04
Dividends Paid	138	149	165
Dividends Paid Per Share	1.04	1.12	1.24
Shareholder Return (One Year)	12%	13%	35%
Fiscal Year End Stock Price	44.01	48.70	64.56
Net Cash Flow From Operating Activities	388	340	455
Capital Expenditures	89	97	110
Common Share Repurchase	83	89	132

*Continued on page 6*

\* TRIR is a measure of the rate of recordable workplace injuries, normalized per 100 workers per year.

Continued from page 5

<b>OUR PERFORMANCE</b> (\$ millions except as noted)	<b>2010</b>	<b>2011</b>	<b>2012</b>
Continuous Comprehensive Improvement Cost Savings (CCI)	\$54	\$65	\$56
Economic Value Added (EVA®*)	220	202	218
Total Charitable Donations	4.3	5.7	6.1
Number (Percent) of Women Executives	31 (29%)	30 (26%)	32 (25%)
Number (Percent) of Minority Executives	10 (12%)	11 (13%)	13 (14%)
Number (Percent) of Women on Board of Directors	2 (17%)	2 (17%)	2 (17%)
Number (Percent) of Minorities on Board of Directors	1 (8%)	1 (8%)	2 (17%)
Solid Waste Recycled (Metric Tons)	10,843	12,029	17,121
Solid Waste to Landfill (Metric Tons)	20,687	17,945	15,139
Direct (Scope 1) Greenhouse Gas Emissions (Metric Tons CO2e)	14,393	15,008	15,753
Indirect (Scope 2) Greenhouse Gas Emissions (Metric Tons CO2e)	60,317	57,343	59,138
Water Use (Cubic Meters)	899,512	922,436	982,184

\*EVA® is a registered trademark of Stern Stewart & Co.

intimacy. Our customers benefit from our expertise in many areas, including sensory testing, culinary research, food safety and flavor application.

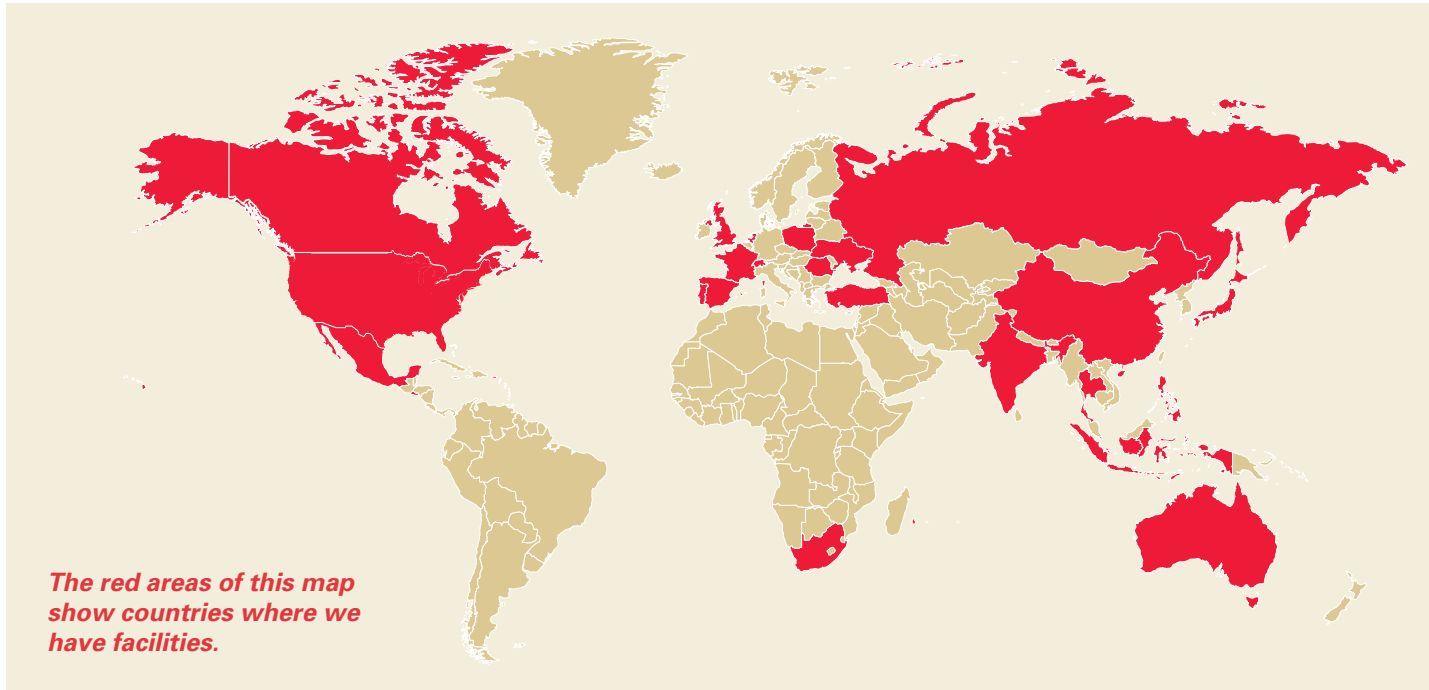
For more information on our business visit <http://www.mccormickcorporation.com/ourcompany/businessunits.aspx>

### **IDENTIFYING KEY CSR TOPICS MATERIAL TO McCORMICK**

In 2012, McCormick conducted a materiality assessment with the purpose of identifying and prioritizing the aspects of corporate social responsibility most relevant to the company, in order to ensure that we focus our efforts and resources on the areas of greatest potential impact. The assessment included input from internal and external stakeholders which included: non-governmental organizations, customers, investors and McCormick business leaders.

We utilized the materiality assessment to develop our CSR vision statement and strategic framework, which we are currently integrating into our business strategy. As we plan to report on our corporate social responsibility progress and impacts biennially, we will continue to monitor materiality of key aspects in order to report on these elements as part of our next reporting cycle.





## REPORTING, GOVERNANCE AND ACCOUNTABILITY

**Reporting.** We created our corporate social responsibility review to provide stakeholders with a window into our current strategy, its impact, and our goals for the future. Our intent is to help these groups understand our CSR performance and our material risks and opportunities in a clear, comparable and accessible manner.

**Governance.** Our CSR committee was appointed by the Management Committee led by CEO Alan Wilson. The CSR committee is a global team with representation from a cross section of the company.

Its mission includes developing key focus areas for improvement and implementing the integration of our CSR strategy.

**Accountability.** We serve our customers, consumers, suppliers and communities in accordance with the highest standards of business ethics. McCormick's Business Ethics Policy states that wherever we do business, employees and directors of the company are required to comply with all applicable laws, rules and regulations. Learn more at <http://www.mccormickcorporation.com/ourcompany/corporategovernance/corporatebusinessethicspolicy.aspx>

We created our corporate social responsibility review to provide stakeholders with a window into our current strategy, its impact, and our goals for the future.

**Political Activity Policy.** McCormick & Company has a legacy of involvement in the communities in which our employees live and work. Community involvement includes supporting public policies that affect our business, our brands, and our employees. It also includes educating policy makers and participating in the public dialogue on policy issues where appropriate. The company encourages employees to be active participants in their communities. While this Policy does not address individual contributions by employees to political parties, or volunteer activities, employees must comply with all applicable laws in this regard. Those individual efforts do not in any way suggest McCormick's support.

For more information on our political activity policy, visit <http://www.mccormickcorporation.com/ourcompany/corporategovernance/politicalactivitypolicy.aspx>



*The Help Mada program supports communities at source with educational, nutritional and environmental needs.*

HELP

HELP

HELP MADA

MADA

ANIPRO  
Africa Development

# Power of People



## “POWER OF PEOPLE” GOALS BY 2018

Promote an inclusive environment globally.

Exceed best-in-class employee engagement levels.

Identify baseline global employee volunteer hours by 2014. Global employee volunteer hours will equal or exceed 100,000 hours per year.

## EMPOWERING PEOPLE, BETTERING COMMUNITIES

The people of McCormick are a key ingredient to our success, and their participation in our corporate social responsibility efforts—from driving innovation in our operations to contributing to the betterment of their communities—is no different. In our company’s early years, then-President and Chairman of the Board C. P. McCormick envisioned a new business philosophy called Multiple Management, which is driven by participation and the belief in the value of every employee.

That spirit continues to this day, as does the Multiple Management philosophy. The early years of Multiple Management were documented in C.P. McCormick’s book titled “Power of People.” McCormick’s culture today is built on a foundation of respect, recognition, inclusion, collaboration and the highest ethical standards. We strive to provide a setting for our employees to grow driven by these fundamental values. By continually investing in maintaining

our culture through the engagement of our employees, we enable our employees and our communities to achieve more, together.

## CULTURE AND VALUES

Nurturing and developing the people who make up the McCormick family is a top company priority. McCormick’s “High Performance Organization,” our framework for our global culture, thrives on teamwork and employee engagement which leads to more effective training and development, lower turnover, greater efficiency and increased capacity.

We are currently focusing on implementing this framework across the company in an effort to have a common and transparent definition of how we achieve success for our business, our customers and our employees. The framework is rooted in our core beliefs and shared values and will reinforce the Power of People, diversity and inclusion, and a consistent expectation of behaviors, systems and outcomes.

To help us understand our own

performance in these areas, we conduct several employee programs and surveys, including High Performance Organization assessments and the Voice of the Employee (VOE) engagement survey. The VOE demonstrates an internal investment to ensure employee engagement and satisfaction remains high and is closely monitored for improvement opportunities. The resulting metrics are not only used in conjunction with our High Performance Organization assessment to gauge employee engagement and commitment, but are also used to identify opportunities and implement improvements.

### **ETHICS AND COMPLIANCE**

We are wholly dedicated to maintaining a high level of business integrity at all levels of our company. Through our code of conduct, ethics trainings, employee engagement surveys as well as our compliance issue resolution system—the McCormick hotline—we create and communicate clear expectations and effective tools for employees to use if expectations are not being met.

### **PROMOTING AN INCLUSIVE AND RESPECTFUL WORK ENVIRONMENT**

McCormick seeks to create and sustain an inclusive and respectful environment where all employees can fully contribute their talent and skills in the workplace. As a responsible employer McCormick provides

## *Sharing Our Passion*

Our 10,000 employees are united by their passion for flavor and McCormick's Shared Values, which are at the core of the company culture:

- **E**thical Behavior
  - **T**eamwork
  - **H**igh Performance
  - **I**nnovation
  - **C**oncern for others
- = **S**uccess

As a pioneer in participative management, McCormick established the Multiple Management philosophy that continues to be the cornerstone of our culture and a driving force in our growth as a global industry leader. The Multiple Management Board (MMB) system provides a learning environment for employees to grow professionally while contributing meaningful projects that add value to our global business units. Small groups of employees work in a team structure to develop solutions for real business issues facing the company. Over the years, thousands of employees have engaged in the MMB, where they not only developed valuable workforce skills, but also enhanced our company as a whole. As examples, some past projects have studied the foreign exchange impact on purchasing,



*“The MMB system has expanded globally and taken on added dimension with the creation of three regional boards and one global board to complement the thirteen local boards at many of our worldwide facilities. The Boards are catalysts for innovation and, at the same time, drive personal career growth.”*

*—Alan Wilson, Chairman, President & CEO*

published global standards for formula security, and an MMB project set the stage for the creation of this CSR review.

Our commitment to Multiple Management enables employees to excel at managing and leading our business.



“The great working force of any business is a collection of individual human beings.”

—C.P. McCormick

opportunities for professional satisfaction, pride of work, and career growth for all employees. We all have an obligation to support these objectives by conducting ourselves in a professional, courteous, and respectful manner in and around the workplace at all times. By seeking ideas and input from all of our employees, we ensure the highest performance is achieved by teams of diverse individuals who all feel that their contributions are valued and leveraged by the group.

In accordance with our code of conduct, managers must recruit, hire, manage, train, promote, compensate, reward, provide benefits, and administer all work without regard to:

- Race
- Color
- Religion
- Gender
- Age
- National origin
- Sexual orientation
- Veteran status
- Any other characteristics protected by local, state, or federal law, including any physical or mental disability which does not reasonably preclude the performance of the essential functions of the job

As part of our people-centric culture, we ensure that the basic rights for our employees are protected and supported. Across our global operations, we expect adherence to local and international laws.

## **HEALTH AND SAFETY**

McCormick takes a leadership role in the health and safety of its employees. A full range of programs has been developed to promote workplace safety and wellness among employees.

In the workplace, McCormick employees benefit from a company wellness initiative that includes programs for exercise, nutrition, managing stress, diabetes management and smoking cessation, to name a few.

## **TRAINING AND DEVELOPMENT**

We provide our employees with opportunities to promote professional growth and develop essential skills related to our business through three key avenues: McCormick’s High Performance Organization, Multiple Management Boards and Learning and Development Centers. The combined force of our learning and development options around the world creates a multitude of offerings that are regularly used by thousands of employees annually.

In conjunction with the development avenues provided by the MMB and High Performance Organization opportunities, McCormick has two Learning and Development Centers—one in the United Kingdom and one in the United States. Through these centers McCormick supports its belief of lifelong learning and offers many internal learning and development opportunities to employees striving to achieve excellence in performance. These centers house central resources for business information and courses for skills development, career development and change management. These include global and local leadership programs, continuing executive education, consulting services and an e-Learning development program provided through our Global Learning Network.

### **DIVERSITY AND INCLUSION**

At McCormick, we believe that a global focus on inclusion, which leverages the unique attributes, knowledge, skills and talents of a diverse workforce, is essential to achieving our company's business growth and objectives. We understand that our commitment to accessing the full potential of our employees hinges on nurturing their growth within an inclusive environment. We believe that an inclusive environment drives engagement and is the foundation for high performance.

From our beginnings in the late 1800s, our company has engaged people from around the world through the sourcing of raw materials. Over the years, as we have expanded our

“My experience on the MMB at McCormick was pivotal in my development as a leader. I learned about the business, polished my presentation and project management skills, and strengthened my leadership skills. One skill that the Board develops, which is so essential to senior leadership, is the ability to influence others without formal authority. The MMB is an important part of our history, and has enabled us to develop our talent from within.”

—*Cile Perich, Senior Vice President  
Human Relations*



*McCormick's spirit of teamwork  
drives our success.*



business and sold our products globally, we have increasingly partnered with and hired people from different cultures. Their contributions and insights have shown us firsthand how business benefits from having a diverse workforce. Through our relationships and work practices, we have fostered a global understanding that could not have been achieved any other way. This is a key competitive advantage.

Alan Wilson, Chairman, President and CEO, serves as Executive Sponsor of the Global Diversity and Inclusion Executive Steering Committee. Comprised of cross-divisional senior business leaders from around the globe, the group establishes company diversity strategies and champions initiatives such as awareness, training, communications and strategy implementation.

## COMMUNITY

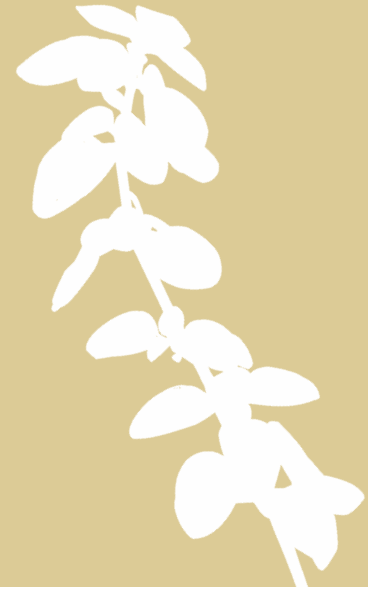
Every year, McCormick and its employees donate funds, products, and many hours of service to a wide range of organizations as part of our strategy to drive positive change within our communities. In 2012, we donated over \$6 million to charitable causes globally, and our business leaders serve on more than 50 nonprofit boards.

Our primary areas of support are health and human services, education, culture and arts. Our support includes:

- **Many well-defined, ongoing charitable programs. This includes product donations to food banks.**

## Sharing Our Passion

- Our diversity mission statement: "At McCormick we foster a mutually-enriching environment that values the differences and dignity of all employees, enabling each of us to reach our potential and thereby create a stronger company."
- Newly formed Employee Ambassador Groups (EAGs) in the U.S. are company-sponsored networks which provide a forum for education, involvement and professional development of employees who share common interests and goals to serve as resources. They help McCormick achieve its business objectives, while advancing the company's diversity and inclusion strategy. Currently, the Women's International Network (WIN) and Sabor Latino (SALA) have been formed. African American and Asian EAGs are scheduled to launch in 2013.



- **A broad spectrum of the arts, as well as civic and health and welfare programs.**
- **Our employees, who add another dimension to community wellbeing by serving in leadership positions and volunteering many hours of support.**

The company's giving programs include:

- **Charity Day:** In 1941, C.P. McCormick, then-President and Chairman of the Board, introduced Charity Day. Employees volunteer time or donate funds and their contributions are matched by a dollar-for-dollar contribution

by the company. McCormick's commitment to charitable giving starts at the highest levels of management and is multiplied throughout the entire employee population. In 2012, employees globally leveraged the company match to donate \$2.7 million to charities.



• In 2004, the company initiated the Annual McCormick Community Service Award to honor global employees who devote time and energy to better their communities. Each year, one grand-prize

winner receives \$25,000 for his or her favorite charity. Four runners-up receive \$5,000 each for their charity of choice. Since 2004, half of our grand-prize winners were based outside the U.S.

- The Charitable Donations Committee (CDC) is appointed by the Management Committee and is authorized to make donations in accordance with corporate policy and guidelines.

- McCormick also invests in Employee College Scholarships, Unsung Heroes Scholarships, Employee Educational Matching Gifts, Employee Cultural and Civic Matching Gifts, and our Dollars for Doers program. McCormick also donates products to food banks. To learn more, visit <http://mccormickcorporation.com/community-involvement.aspx>.

McCormick supports humanitarian and disaster relief efforts around the world.

- In 2012, members of McCormick China volunteered their time and resources to the children of the Shanghai Huge Grace Orphanage, which cares for disabled children. As part of a training program that helps equip the children with life skills, McCormick China donated equipment to establish a new bakery and products that will help educate the children about proper nutrition.
- In the past 10 years in India's local farming communities, we have funded national polio vaccines, equipment for local schools, road repairs and medical camps.

- McCormick contributed to the global relief efforts after the devastating tsunami off of Banda Aceh in 2004, the Central Java earthquake in 2006, the 2009 Padang, Indonesia earthquake and the Haiti earthquake in 2010.
- When the earthquake hit Sumatra in 2009, the two medical clinics that McCormick built survived and were able to fill the void left when other clinics were destroyed. Additionally, our joint-venture facility in Padang, Sumatra was transformed into a staging point for relief materials and logistics to transport goods to needy earthquake-ravaged areas.



*(above) The company was a contributor to relief for victims of Hurricane Katrina. More recently, Zatarain's employees, who were impacted by Katrina, traveled to the New York state area hit by Hurricane Sandy to prepare meals for hurricane victims and first responders.*

*(right) McCormick employees volunteer as mentors to students at risk in Baltimore through Boys Hope-Girls Hope.*



# Taste You Trust



## “TASTE YOU TRUST” GOALS BY 2018

Create a more sustainable product supply chain from farm to finished product.

50% funding increase for farming community programs by 2018 to include completing and sustaining farming community projects assisting local farmers improving their quality of life and livelihoods.

## Consumers and customers rely on McCormick’s procurement and processing standards for safe, high-quality products.

We take great pride in meeting this expectation, and are increasing our focus on working to protect the environment and positively impacting growers. Our years of experience with hundreds of thousands of diverse suppliers ensure high-quality spices, herbs and other crops. We realize that we have much more work to do because of the size and complexity of our supply chain. McCormick has hundreds of thousands suppliers, some very small, located in over 40 countries throughout the world. We are committed to intensifying our efforts throughout our supply chain to ensure our products are produced in a responsible and environmentally sound manner, growing our outstanding quality and food safety programs while protecting the environment and positively impacting farmers.

## SUPPLY CHAIN MANAGEMENT OF CSR

As a leading global manufacturer of spices and herbs for about 125 years, McCormick is dedicated to sourcing high-quality raw materials by maintaining a strong and healthy supplier base. In total, we source about 2,800 ingredients worldwide, and we know that creating a sustainable supply chain within this broad framework will require time, focus, and ingenuity. This is a journey we have begun, but we recognize that we still have much work to do.

At McCormick, we source over half of our spices and herbs through key strategic alliances in major spice-growing countries and also have a network of more than 100

# The Life of Vanilla in McCormick's Global Sourcing Program



## 1. FARMING:

A new vanilla vine is started from an existing vine cutting. It takes three years to grow to maturity. During the flowering stage, flowers must be hand pollinated, which is a large-scale manual task. In Madagascar it is estimated that over 80,000 farmers are involved in this process for several months. Once the flowers are pollinated it takes about seven months to reach full maturity, when the beans are finally harvested.



## 2. CURING:

Fully mature vanilla beans must go through a curing process to activate the enzymes that develop the vanilla flavor we know. The majority of our beans are from Madagascar, Indonesia and Uganda, and are cured by our strategic origin partners following strict curing guidelines. The process involves sorting, scalding, sweating, slow drying and conditioning. From flowering to finished cured vanilla beans usually takes 12–14 months.



## 3. PREPARING FOR SALE:

Every lot of vanilla is sub-lotted, sampled, and tested against our gold standard prior to being extracted. The extract for our traditional McCormick product is a blend of our key origins.





## Sharing Our Passion

- Working with the Dutch Government-sponsored Sustainable Spices initiative (SSI) and the Rainforest Alliance, McCormick is helping establish one of the first sustainable sourcing spice standards to secure the supply of authentic, natural and sustainable spices. The pilot program, which launched in 2012, will finalize in 2013 a globally accepted mainstream sustainability standard for spices focusing on conservation of biodiversity, reduction of the use of pesticide and chemicals, increased yields and food safety training for farmers. It will initially focus on several selected spices.
- Our raw material sourcing joint ventures and strategic alliances employ over one thousand people, providing them with regular year-round work, fair wages, medical assistance and advancement opportunities.
- One of our primary oregano production suppliers, based in Salihli, Turkey, has been working with us for more than 20 years. Our vendor has been expanding its oregano sustainability efforts each year, as the wild growing harvest by the local villagers continues to dramatically decline due to loss of interest compared to more lucrative jobs in the tourism trade. By cultivating the oregano crop and adding drip irrigation, the plant yields three harvests versus one in the wild. Also, the drip irrigation minimizes water usage and there is no annual field plowing, thus managing soil conservation.
- With our bay leaf production partners, we ensure that the bay leaves are correctly harvested in the wild by cutting whole branches to ensure that the remaining bush is not damaged. The leaves are then put in containers to dry from heat generated by a boiler that is fueled by the wooden branches after the leaves have been removed. The end product is whole leaves that have a beautiful green color with little breakage.

other suppliers from over 40 countries worldwide. Using McCormick Global Ingredients Limited, our value-added subsidiary, we travel the world pursuing the finest spices and herbs.

Quality isn't the job of just one department or set of individuals but rather is ingrained in the culture of all our employees. Here, quality is not just about testing at the end of the process—our proactive continuous improvement approach means that quality is built into each product from the source country to the consumer.

Our goal is to be proactive and to anticipate and mitigate quality risks. We do this by:

- Starting as far upstream as possible, with preventative measures including education.
- Second, our in-process measures include checking, testing, evaluating and assessing our products.
- In total, our full product life-cycle quality system provides continuous feedback for improvement up the supply chain.

A few highlights of our commitment to the highest standards of quality:

- We have the largest quality investment in the spice and seasoning industry, and we are part of an elite group of companies around the world that have achieved a Safe Quality Food Level 3 Certified Supplier rating, which is a comprehensive implementation of food

safety and quality management systems within the company and its supply chain.

- We developed a clean, safe and efficient steam pasteurization process for herbs and spices, designed to preserve the ingredients' quality and characteristics.
- We conduct over a million ingredient and product analyses each year.

### FOOD SAFETY

We have policies, standards, programs and inspections that are in place to ensure food safety. For example, our Food Safety Culture includes programs covering all aspects of our business, from raw materials and ingredients, through manufacturing and delivery to the consumer.

From England to South Africa and the United States to China, McCormick safety investments have resulted in 25 Global Food Safety Standards site certifications at 20 facilities around the world. As part of the Global Food Safety Initiative (GFSI), these audits are designed to assure that the products, processes and systems provide safe and quality food to customers.

*McCormick's Zero Defects/Zero Monitoring Program, being deployed globally, is a "Vision System" that monitors production lines for defects, such as mislabeling. This system checks for quality assurance and has helped take undeclared allergens to zero at one of McCormick's manufacturing plants. Ultimately, the program helps ensure that the customer receives an error-free product.*



Through our SDP initiative, we have increased the number of diverse suppliers that provide McCormick with products and services to more than 200.

## **AGRICULTURAL ENVIRONMENTAL IMPACTS**

Much of McCormick's business literally grows out of the soil, so we are especially aware and mindful of the need to preserve and protect the earth and its resources. We carefully consider our supply chain and strive to minimize its impact on the environment.

McCormick's global sourcing network will help implement sustainable growing practices. By understanding and addressing our environmental impacts, we intend to leverage superior technology to reduce our impact at the source. Given the vastness and complexity of our supply chain, this is a large undertaking.

McCormick participated in the Forest Footprint Disclosure Project. This program assists companies and investors worldwide to understand and address exposure to deforestation risks through the use of five agricultural commodities that are responsible for most deforestation—timber products, palm oil, soy, cattle products and biofuels. Soy is the commodity that is material to McCormick and we source it as soy oil. It is used primarily to make condiment products. Based on our review with our suppliers, we do not believe this is material risk. McCormick will continue to work with our suppliers on this important issue.

## **WORKERS AND COMMUNITIES IN OUR SUPPLY CHAIN**

Providing assistance to the communities that supply our raw materials and manufacture our products is critical to the company's continued growth and success. Having a stable and reliable source of supply for high quality raw materials provides the company with a competitive edge in the markets we serve. It also enables us to have a positive impact on the quality of life of community members who are able to improve their productivity and their socio-economic conditions.

McCormick's Supplier Diversity Program (SDP) in the U.S. seeks to develop relationships with diverse businesses that meet our quality standards. Through our SDP initiative, we have increased the number of diverse suppliers that provide McCormick with products and services to more than 200. Categories of our diverse suppliers include: small disadvantaged, minority owned, women owned, veteran, service-disabled veterans, Historically Underutilized Business (HUB) Zones and National Institute for the Severely Handicapped (NISH) organizations.



## McCORMICK'S SUPPLIER CODE OF CONDUCT

McCormick finds business relationships are more productive and effective when they are built on trust, mutual respect and common values. As such, McCormick's Supplier Code of Conduct makes clear our commitment to fair labor standards and helps ensure that we align ourselves with suppliers that share this commitment. This Code of Conduct states that all vendors, suppliers, and contractors who wish to conduct business with McCormick are required to conform to certain principles and practices, such as:

- Compliance with applicable laws, including those pertinent to equal employment opportunities, wages and benefits and worker and product safety.
- Human rights and fair employment practices, including those prohibiting child labor or forced labor, or any form of indentured servitude with stipulations of fair working hours and compensation as well a safe working environment.
- Ethical business conduct based on compliance with the law, avoidance of conflicts of interest and respect for the environment.

The Supplier Code of Conduct assists us in selecting suppliers who operate in a manner consistent with our values and to assist our suppliers with understanding our expectations. Suppliers are expected to understand

McCormick's values and uphold them. In addition to the Code of Conduct being part of purchasing contracts, McCormick may take steps to assess a supplier's conformance to the Code of Conduct. When appropriate, McCormick works with its suppliers to identify agreed-upon actions and schedules to improve our services. McCormick is committed to attaining a deep understanding of supply chain risks and impacts—particularly regarding human rights, food safety and environmental issues—to give preference to those suppliers who perform well in those areas.

We are designing a risk-based verification process to identify high-risk suppliers and develop an appropriate responsible-sourcing audit approach to ensure our product suppliers are in compliance with our Code of Conduct.

## Sharing Our Passion

Focusing on our iconic vanilla product, we have developed a community program that supports farmers in growing areas such as Sumatera, Indonesia and Madagascar. In Madagascar, for example, McCormick is partnering with the Help MADA organization to improve the quality of life for families. We provide education on better agricultural techniques to support higher crop yields and offer free rice to children who meet school attendance requirements in order to incentivize attendance and provide nutritional food options. The program also includes building a new medical clinic for a remote village and replanting forested areas. Our holistic support efforts in Madagascar will be expanded to other source countries in the coming years.

It is important that materials used in our products are obtained through ethical and fair labor conditions. The majority of McCormick's agricultural products are acquired from suppliers who ultimately source raw materials from small individual farms managed by family farmers. In all countries where we process products, our products are handled in facilities that comply with existing local laws.



# Inspiring Healthy Choices

## "INSPIRING HEALTHY CHOICES" GOALS BY 2018

Launch the McCormick employee Eating Well program globally.

20% increase in global marketing investment aimed at educating consumers and industry leaders on the role of flavor in healthier eating.

**McCormick inspires healthy choices by not only making food taste better, but also by making it better for you, starting with the natural goodness of spices and herbs.**



We make it enjoyable and sustainable for people to eat more of the right foods (vegetables, fruits, whole grains and seafood) and less of the foods or food components to avoid (salt, sugar and fat). Through our research, our product portfolio and our custom flavor solutions for the food industry, McCormick plays a unique role in saving the world from boring food by making healthier food more enjoyable. We are committed to flavor innovation that delivers great tasting, high-quality products which positively impact people's nutrition.

## HEALTH AND WELLNESS PRODUCTS AND SOLUTIONS

As a global flavor leader, McCormick is committed to helping consumers in their efforts to improve their health and wellness through the nutritional quality of their diets and the transformative power of flavor.

Customer demand for better-for-you products and natural ingredients is growing. In 2012, more than 30% of our product development projects for industrial customers were focused on helping achieve lower sodium, lower calories or other healthy attributes.



Through the McCormick Science Institute (MSI), we are funding independent research at leading universities to uncover and advance the potential health benefits of culinary spices and herbs in improving diet quality.

MSI partners with top nutrition scientists to ultimately help consumers more easily comply with the Dietary Guidelines for Americans, including reducing salt, fat and added sugars. These guidelines also influence the dietary guidelines for most countries globally. Similarly, MSI's research is studying improvement of dietary compliance in other global regions, which could lead to improvements in overall health. Twenty-one sponsored clinical trials are currently underway or have already been completed, addressing topics such as phytonutrients, heart health,

## Sharing Our Passion

- In the U.S., we offer more than 450 salt-free consumer products as well as reduced-sodium varieties of many top-selling items. Our recipe mixes do not contain trans fats, partially hydrogenated oils, artificial colors and flavors.
- McCormick for Chefs and the National Restaurant Association are spotlighting the industry's commitment to healthier menu options for children and inspiring others to adopt similar practices by creating the Kids Recipe Challenge (below), a fun and creative way to showcase delicious and nutritious menu options available in restaurants, schools or institutions.
- Our great-tasting, lower-sodium versions of Lawry's® recipes mixes are now part of the federal school lunch program in the U.S., as these products meet the new nutrition standards set by the U.S. Department of Agriculture (USDA).



weight management, muscle recovery, increasing vegetable consumption and improving adherence to healthy eating plans.

As the focus on health and wellness increases, McCormick's ongoing research, proprietary technologies and innovative product launches will continue to provide consumer and food industry solutions for flavorful and healthy food options.

### **CONSUMER AND EMPLOYEE COMMUNICATIONS**

McCormick is focused on promoting better nutrition and lifestyle choices through our consumer communications and employee wellness programs.

- Since 2007, McCormick consumer communications have helped educate consumers and health professionals about the role spices and herbs can play in more flavorful and healthier eating. Today, consumer communications and marketing efforts span advertising, public relations, digital/social media and point-of-sale educational materials, as well as retailer education and promotion partnerships.
- The chefs and dietitians of the McCormick Kitchens offer, via our websites, consumer recipes and tips to enable greater compliance with the Dietary Guidelines for Americans, including easy swaps and tips to use spices and herbs as well our reduced-sodium products in place of added salt, fat and sugar.
- The McCormick "Ingredients for Health" employee wellness program provides employees with the opportunity, education and tools to improve and maintain good health by making

healthy behavior changes, choices and decisions both at work and at home. The five pillars of the S.P.I.C.E program include:

- **S**tretch Your Mind
- **P**revent Illness
- **I**mplement Healthy Eating
- **C**hange Your Knowledge
- **E**xercise Your Body

- Our "Living Healthy with Diabetes" pilot—providing individual support and tools for employees with Type II diabetes—was so successful that it is becoming an ongoing part of our employee wellness program. We are currently working with University of Maryland to publish results of the pilot.
- McCormick has been awarded the American Heart Association's Fit-Friendly Gold Worksite Award, recognizing our commitment to the importance of a healthy workplace for our employees and creating a culture of wellness by providing support to employees taking important steps for wellness.

### **INFLUENCER ENGAGEMENT AND STRATEGIC PARTNERSHIPS**

McCormick prides itself on partnering with leading nutrition influencers and key organizations to support innovative initiatives that impact the way healthier food can be enjoyed. A sampling of focus areas that highlight our health and wellness commitment include:

- Through our partnership with the USDA's Center for Nutrition Policy and Promotion (CNPP), McCormick helps to promote the importance of the MyPlate.gov guidance in building a flavorful and balanced diet based on the Dietary Guidelines for Americans.
- McCormick is an active member of the Food Marketing Institute's Health and Wellness Council. The Council's mission is to provide retailers and consumers with science-based information to make healthy food choices for their families.
- Actively led by our CEO, McCormick works closely with the Grocery Manufacturers Association (GMA) on key wellness programs, such as the voluntary Facts Up Front nutrition labeling initiative. Facts Up Front aims to provide consumers — especially busy parents — with the information they need on the front of food packages to make informed decisions when they shop.
- A current premier sponsor of the Academy of Nutrition and Dietetics (AND), McCormick regularly works with influential registered dietitians (RD) who interact with consumers through clinical, food service, media and retailer settings. Our partnership provides member dietitians with research and education materials to help demonstrate that healthier eating can be flavorful, delicious and enjoyable.

As a result of our continued commitment to influencer education and communications, McCormick has leveraged its strong retailer relationships to establish a resource for RDs and other health professionals who work directly with consumers in the retail environment—to high acclaim from those organizations.

As the focus on health and wellness increases, McCormick's ongoing research, proprietary technologies and innovative product launches will continue to provide consumer and food industry solutions for flavorful and healthy food options.

# Delivering High Performance

## "DELIVERING HIGH PERFORMANCE" GOALS

Delivering High Performance Goals for 2018 against a 2009 baseline on a per unit basis adjusted for product mix effects:

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25% reduction in bottle packaging weight using sustainable methods.

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Reduce electricity use by 20%.

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Reduce water use by 20%.

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Reduce solid waste by 50%.

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Reduce greenhouse gases by 10%.



**At McCormick, we understand that every part of our operations, which supplies customers from nearly 50 locations in 24 countries around the world, has an impact** as we continually look for ways to optimize our processes. We have set aggressive operational goals focused on energy efficiency, packaging and waste and water reduction, and we continually invest in management systems that reduce our environmental impact while still providing the high-quality products our customers value. We know that how we are performing as a company is a direct result of our focus on continuous improvement.

McCormick is committed to the continuous improvement of our environmental performance in our day-to-day business activity and meeting or exceeding the requirements of all applicable environmental laws and regulations.

### **CLIMATE CHANGE & ENVIRONMENTAL POLICY**

We believe that climate change is a complex and important issue that we have a part to play in mitigating our impact on the environment. McCormick supports responsible legislation of greenhouse gases at the national and international level. As a company, we have a program to measure and improve our energy efficiency. This is consistent with our environmental policy which states:

“McCormick is committed to the continuous improvement of our environmental performance in our day-to-day business activity and meeting or exceeding the requirements of all applicable environmental laws and regulations. Through management leadership and employee participation, we are committed to reduce the environmental impact of our activities through pollution prevention; promote the sustainability of the natural resources upon which we depend, while providing quality products that meet the needs of our customers; comply with applicable

environmental laws and regulations; and contribute positively to the communities in which we operate.

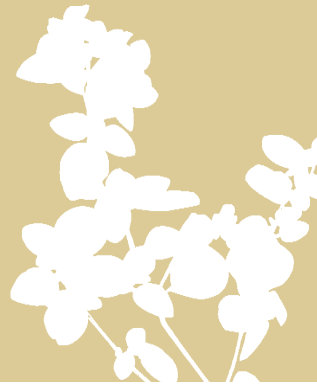
We expect all McCormick employees to carry out their job responsibilities in accordance with this policy and to report any environmental concerns they have to management.”

### **ENVIRONMENTAL MANAGEMENT SYSTEMS**

McCormick has an environmental management system in place to oversee environmental requirements and to continually improve performance. This standard has been developed to be consistent with, and complementary to, the ISO 14001 environmental management standard. Our success is based upon our ability to integrate the environmental management system into our day-to-day business processes globally. Confirmation of compliance with this standard is accomplished by internal assessments performed by plant personnel and external assessments performed by corporate environmental personnel.

### *Sharing Our Passion*

- Our Monteux, France, Littleborough and Haddenham, UK manufacturing facilities have achieved ISO 14001 environmental certification.
- In 2009, our Haddenham, U.K. facility was named “Sustainable Manufacturer of the Year” by The Manufacturer Magazine.



“This team was established to bring together functional experts to leverage our global expertise, establish standards and drive performance.”

*James Radin, Vice President  
Global Supply Chain*

Goal Target	2018 Goal (based on 2009 baseline)	Progress through 2012
Greenhouse Gas Emissions	10% reduction	4% reduction
Packaging	25% reduction in bottle packaging weight	10% reduction
Water Usage	Reduce water use by 20%	5% reduction
Electricity	Reduce electricity use by 20%	8% reduction
Solid Waste	Reduce solid waste by 50%	34% reduction

We have set new goals for our global manufacturing facilities which are adjusted for product mix effects and production volume (see chart above).

A global Sustainability Operations Team has been established to share best practices and to reduce the company’s natural resource consumption. The team has representation from each business unit and has developed a best practices manual. Team members work together to develop improvement projects for their business units. James Radin, Vice President Global Supply Chain said “This team was established to bring together functional experts to leverage our global expertise, establish standards and drive performance.”

## ENERGY

We increasingly invest in managing our energy use, sources and emissions within our operations. Examples of our energy efficiency strategies include installing more efficient lighting fixtures and occupancy sensors (up to 95% reduction) as well as upgrading to high-efficiency air conditioning systems (30% reduction) and utilizing lower-temperature adhesives for gluing boxes (70% reduction).

Since 2008, we have participated in the annual Carbon Disclosure Project (CDP) to report on greenhouse gas emissions. These reports have been a useful tool in helping us understand our environmental impacts and helping set priorities. Reports are made publically available by the CDP: <https://www.cdproject.net/en-us/programmes/pages/cdp-investors.aspx>.



## WASTE

- Waste in production is relatively low for our operations, yet we continue to identify and reduce the amount of waste resulting from production and manufacturing.
- Many materials not consumed by our manufacturing processes are recycled for other uses instead of disposing re-usable materials in a landfill or incinerator. Recycled items include scrap metal, corrugated cardboard, office paper, plastics and food or organic waste.
  - Our Monteux, France manufacturing facility attained a level of over 75% of the solid waste being recycled.
  - Our London, Ontario manufacturing facility recycles nearly 45% of solid waste.

*McCormick's 368,000-square-foot distribution center in Belcamp, Maryland achieved Net-Zero status through aggressive energy conservation measures and the 2011 installation of an 8-acre, 1.8 MW rooftop solar power system, consisting of over 7,500 solar panels. Following the addition of the solar array, the facility generated a surplus of more than 16,000 kWh of electricity in a one-year period.*





- Our Haddenham, United Kingdom manufacturing facility recycles nearly 50% of solid waste.
- Our Hunt Valley, Maryland spice mill recycles over 50% of its solid waste. The organic materials are reused in an agricultural application for their nutrient value.

**PACKAGING**

Our environmental stewardship is evident globally as we look for ways to reduce material usage rates on all packaging components such as corrugated cardboard, folding cartons, plastic and glass bottles and more. In addition to reducing material usage, McCormick is investing resources in researching alternative materials, such as post-consumer and non-oil-based resins for use in our plastic components.

**LOCAL ENVIRONMENTAL IMPACTS**

Our responsibility to the environment extends beyond our operational resource use to include the impact of our operations on surrounding communities. We are dedicated to working with the communities to understand our impact and to create a shared understanding of resource availability and potential constraints.

*A recycling unit in our Atlanta, Georgia manufacturing facility which recycles excess product.*

## Sharing Our Passion

### WATER STEWARDSHIP

While our operations do not use a large amount of water, we are dedicated to improving our water use efficiency and to ensuring our wastewater meets local standards and does not impact surrounding watersheds.

We have been responding to the Carbon Disclosure Project's Water Disclosure since it launched in 2010. As the reports are made publically available, we see it as a valuable tool to communicate our water risk internally and externally and have used the reports to help set our goals and priorities:

<https://www.cdproject.net/water>

*As part of a major expansion of our condiment manufacturing facility in Guangzhou China, McCormick invested \$1 million to upgrade the wastewater treatment facility. The new facility was successfully brought online in December 2012 and meets all local environmental requirements and demonstrates McCormick's commitment to minimize local environmental impacts.*



# Next Steps

Future reporting will be completed on a biennial basis.

We look forward to reporting on our progress towards these goals in subsequent reports.

## Key Performance Indicator's (KPI)/Global Reporting Initiative (GRI) Index

For this review of our current CSR initiatives, we have taken the GRI G 3.1 Guidelines into consideration. As corporate social responsibility becomes further integrated into our business functions, we plan to review the new G4 guidelines to assess the feasibility of aligning our reporting with the framework.

## Public Commitments

We also intend to report on our progress towards the following 2018 goals in subsequent reports.

### Power of People Goals:

- Promote an inclusive environment globally.
- Exceed best-in-class employee engagement levels.
- Identify baseline global employee volunteer hours by 2014. Global employee volunteer hours will equal or exceed 100,000 hours per year.

### Taste You Trust Goals:

- Create a more sustainable product supply chain from farm to finished product.

- 50% funding increase for farming community programs to include completing and sustaining farming community projects assisting local farmers improving their quality of life and livelihoods.

### Inspiring Healthy Choices Goals:

- Launch of the McCormick employee Eating Well program globally.
- 20% increase in global marketing investment aimed at educating consumers and industry leaders on the role of flavor in healthier eating.

### Delivering High Performance Goals:\*

- 25% reduction in global bottle packaging weight using sustainable methods.
- Reduce electricity use by 20%.
- Reduce water use by 20%.
- Reduce solid waste by 50%.
- Reduce greenhouse gases by 10%.

\* adjusted for product mix effects and production volume.



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We look forward to receiving feedback from our stakeholders on our efforts.  
Please feel free to reach out to us at [responsibility@mccormick.com](mailto:responsibility@mccormick.com).





*McCormick Brings Passion to Flavor™*